GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:4120
ANSWERED ON:27.03.2017
Price of Natural Gas
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the salient features of the existing formula to determine the price of natural gas produced by public/private sector companies in the country;
(b) whether the cases of disputes between the natural gas producing companies and the Government on determining the prices of gas have come to the notice of the Government after implementation of the said revised formula and if so, the details thereof, company-wise along with the present status of such disputes;
(c) whether the Government has maintained a balance between the profitability of the companies producing natural gas and insulate common man from undue burden of rise in prices of natural gas after revision of the said formula and if so, the details thereof and the steps taken in this regard;
(d) whether the selling prices of natural gas is less than the production cost and Oil India Limited and Oil and Natural Gas Corporation Limited are incurring losses and if so, the details thereof along with the corrective steps taken/being taken by the Government in this regard;
(e) whether the Government has found some anomaly in pricing of gas produced from Coal Bed Methane block and if so, the details thereof; and
(f) whether the 17 CBM blocks have been relinquished out of 33 offered by the Government and if so, the reasons therefor along with the pre approved price of gas produced from such blocks?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE)
IN THE MINISTRY OF PETROLEUM & NATURAL GAS
(SHRI DHARMENDRA PRADHAN):
(a) The formula to determine the price of domestic natural gas notified under the New Domestic Natural Gas Pricing Guidelines, 2014 include the following:
(i) Prices prevailing in HH (USA), NBP (UK), Alberta (Canada) and Russia are used as inputs to determine the price of domestic natural gas, as per the following formula:
P= (VHH*PHH+VAC*PAC+VNBP*PNBP+VR*PR)
(VHH+VAC+VNBP+VR)
Where,
P= Wellhead gas price
VHH= Total Annual volume of Natural Gas consumed in United States and Mexico
VAC= Total Annual volume of natural gas consumed in Canada
VNBP= Total Annual volume of natural gas consumed in EU and FSU excluding Russia
VR= Total Annual volume of natural gas consumed in Russia
PHH= Annual average of daily Henry Hub prices
PAC= Annual average of monthly Alberta Market Price
PNBP= Annual average of daily NBP UK prices
PR= Annual average of monthly prices of Russia
PHH, PAC, PNBP and PR shall be calculated after deducting the US$ 0.50/MMBTU towards transportation and treatment charges.
(ii) Domestic price of natural gas is linked to the prices at major international hubs and tries to balance the interests of producers as well as consumers;
(iii) Review of domestic natural gas pricing on six monthly basis;
(iv) the gas price is applicable to all the sectors uniformly, except those specified in the Guidelines; etc.
The details of these Guidelines are available on this Ministry's website.
(b) & (c) Through the New Gas Pricing Guidelines 2014, Government has tried to maintain a fine balance between the interest of gas producing and consuming sectors. However, to incentivize domestic production of natural gas, Government while approving the gas pricing formula, approved a provision for grant of premium for new discoveries made in Deep water, Ultra Deep water and High Pressure High Temperature reservoir for which Government notified a policy on 21.3.2016 to grant marketing including pricing freedom with a cap on the price to the discoveries.
(d) The selling price of domestically produced natural gas is determined as per the New Domestic Gas Price Guidelines 2014 issued in October, 2014. The gas prices presently are USD 2.50 /MMBTU on Gross Calorific Value (GCV) basis for the period 01.10.2016 to 31.03.2017. The production costs of companies vary from field to field depending upon the area, logistics, complexity, onland or offshore etc. ONGC and OIL have posted profits in their accounts for last several years. Profit after Tax of OIL and ONGC are Rs.2330.11 Crore and Rs.16003.6 Crore respectively for 2015-16.
(e) CBM blocks were awarded on the model wherein CBM contractors share a portion of their revenue generated in the form of Production Level Payment (PLP) with the Govt. The Govt. has decided to provide marketing and pricing freedom to the contractors to sell CBM in the domestic market.
(f) Out of 33 CBM blocks awarded, 4 CBM blocks have been relinquished and 14 CBM blocks are under relinquishment. No CBM

was produced either from the 14 CBM blocks under relinquishment or 4 relinquished CBM blocks as these CBM blocks were either low in prospectivity or due to non-grant of clearances to the contractor.
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